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S E C R E T SECTION 01 OF 03 BAGHDAD 003334

SIPDIS

DEPARTMENT FOR NEA/I AND NEA/IR; NSC FOR VROOMAN

E.O. 12958: DECL: 12/23/2029

TAGS: [ECON](#) [IR](#) [IZ](#) [PGOV](#) [PREL](#)

SUBJECT: IRAN-IRAQ OIL WELL INCIDENT HIGHLIGHTS  
LONGSTANDING BORDER DISPUTE

REF: A. IRPO 537

[1](#)B. BAGHDAD 3282

Classified By: POLITICAL MINISTER COUNSELOR GARY A. GRAPPO FOR REASONS  
1.4(B) AND (D)

1.(C) SUMMARY AND COMMENT: A longstanding but comparatively quiet bilateral dispute over Iran-Iraq border demarcation has risen to the international level amidst extensive media coverage of the seizure by Iranian forces of an oil well in disputed territory. Baghdad and Tehran continue to trade accusations and denials over the incident, despite pledges to resolve the issue diplomatically. The incident is quickly becoming part of elections-related politicking in Iraq. According to the GOI, Iranian forces have withdrawn only partially from the area; however, Iran claims publicly that its forces are positioned within Iranian borders. The GOI continues to insist that it will not begin negotiations until Iran has withdrawn fully from its territory. This is one in a series of attempts by Iran to assert its control over disputed areas along the Iran-Iraq border, and was likely intended to draw the GOI into broader discussions over border demarcation. Although the incident appears to be unrelated to the recently signed oil contracts between the GOI and several international oil companies, negotiations on Iran-Iraq border demarcation could have significant implications for international investment in Iraq. END SUMMARY AND COMMENT.

#### THE INCIDENT

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2.(C) According to a statement by the GOI spokesman Ali Dabbagh, eleven Iranian soldiers crossed into Iraqi territory on December 18 and seized the number four oil well in the Fakka field in Iraq's Maysan province, raising the Iranian flag over the well. The oil field is located in disputed territory along the Iran-Iraq border. Media reports conflicted about when the incident occurred and who was in control of the area; however, the GOI statement is largely consistent with reports from the DoS Provincial Reconstruction Team (PRT) in Maysan province. On December 20, GOI spokesman Dabbagh stated that Iranian forces withdrew partially from the area, pulling back by fifty meters and removing the Iranian flag, but Dabbagh said the Iranian forces are still within Iraqi territory. According to the GOI, the Iranian forces remain in the same position as of December 23.

3.(C) The Iraqi MFA has summoned the Iranian Ambassador twice to demarche the Iranian government (IRIG) over the incursion. Iran continues to insist ) both publicly and in private

discussions with the GOI ) that the area is within Iranian borders. Iraqi Foreign Minister Zebari told POL M/C December 23 that he had a &#8201;conversation with Iranian Foreign Minister Mottaki over the issue, calling it a &#8201;clear provocation&#8201; and telling Mottaki that Iran had created a problem that is &#8201;damaging to its standing with neighboring countries and with Iraqi Shi,a.8 According to press, Zebari and Mottaki agreed to establish an arbitration commission to address the incident; however, Embassy was unable to confirm this with the Iraqi MFA.

4.( S//REL TO USA, AUS, CAN, GBR) According to imagery from U.S. military UAV assets, the Iranian soldiers have been constructing defensive positions in the area adjoining the oil well, but no large buildup of troops is evident. The oil well, but no large buildup of troops is evident. The Iraqi military has not reacted to the incident, and the U.S. military has not changed its posture, other than deploying reconnaissance assets.

#### BORDER DISPUTES AND INTERNATIONAL INVESTMENT

15. (C) Iran has offered to hold discussions on border demarcation, however the GOI insists it will not engage in negotiations until Iranian forces withdraw fully from Iraqi territory. The GOI and IRIG have an existing bilateral technical working group to address cross-border oilfield issues, established by MOU in July 2009. According to the Iraqi MFA, the working group has met several times this year, but it is not clear that any substantive disputes have ever been resolved in this forum. According to the GOI, the lack of financing for its side,s participation in the demarcation

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efforts prevented the working group from beginning work earlier this year.

6.(C) Iran has a history of trying to assert sovereignty over disputed areas by establishing a physical presence there, as with the Iran-UAE dispute over three Persian Gulf islands, Abu Musa and Greater and Lesser Tunbs. The Maysan PRT reports that actions of this kind are a regular occurrence and that this particular oil well has changed hands four times since June 2009. From the Iranian perspective, we assess there is nothing particularly significant about this oil well, and the timing of the incident is likely coincidental. (Comment: The incident was widely reported in business news reports, and put modest upward pressure on crude oil futures for a short time. However, Post does not assess that the move was intended by Iran to significantly impact oil markets, particularly on the eve of an OPEC meeting in which the organization was expected to -- and ultimately did -- maintain current output levels and endorse current price levels. End comment.)

7.(C) The December 18 incident is only one in a series of attempts by the IRIG to assert its sovereignty over this disputed territory, and was likely intended to elicit GOI participation in broader discussions over border demarcation.

The 1975 Algiers Accord is the most recent bilateral agreement governing Iran-Iraq border issues, and the IRIG continues to assert its willingness to negotiate border issues based on the terms of the Accord. Conversely, the GOI has expressed serious reservations about the Algiers Accord, arguing that it should be invalid because it was signed by the government of Saddam Hussein. An unstated reason for GOI reticence may be its fears that a new survey of border areas based on the terms of the Accord would place more of the disputed territories within Iranian borders than Iraqi borders.

8.(C) The Fakka oil field is a comparatively unimportant field in the Iraqi oil industry. With an output of only 23,000 bpd, the field represents under one percent of Iraq,s current oil production capacity. In the first round of bidding for oil contracts in Iraq, international oil

companies declined to bid on the Fakka field due to its comparatively low production potential. The field was not offered in the recent second bid round.

9.(C) Despite the relative lack of importance of the Fakka field, if the incident prompts substantive negotiations over Iran-Iraq border demarcation, there could be significant implications for international investment in the Iraqi oil industry. According to Deputy Minister of Oil Abdul Kareem Laebi, the two countries share fifteen cross-border fields, but do not have unitization agreements to divide ownership of the fields and the oil resources. Foreign investment in cross-border fields could invoke penalties under the Iran Sanctions Act.

#### MEDIA COVERAGE AND ELECTIONS POLITICKING

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10.(C) Unlike previous incidents, the December 18 event came to the attention of the international press, prompting widespread coverage of the incident by both regional and international media outlets. Due to extensive media coverage, the incident has risen to the international level and has forced the GOI to respond at senior levels to a type of incident that usually sees a quick local resolution. The incident is also quickly becoming part of elections-related politicking in Iraq, as it pertains to the larger issue of Iranian influence over Iraq.

11.(C) Sunni politicians are predictably leading the pack in decrying Iran's violation of Iraqi sovereignty.<sup>8</sup> Vice President Tariq Al-Hashimi, Council of Representatives (CoR) Speaker Samarraie, Iraqi Islamic Party (IIP) Secretary-General Osama Al-Tikriti and others have publicly criticized the Iranian action. Foreign Minister Zebari continues to stress a diplomatic solution, and was quoted in press saying, "We do not want to politicize and overestimate this issue. It is a violation. We admit this. We have informed top Iranian officials of the need to bring this violation of Iraqi sovereignty to an end."<sup>8</sup>

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12.(C) There is still a conspicuous silence from Prime Minister Maliki and Shi'a political parties, who have yet to comment publicly on the issue. ISCI leader Ammar Al-Hakim told POL M/C December 23 that the incident needed to be resolved quietly between the two sides, without the aggravation of excessive media attention or harsh rhetoric. However, he also underscored that the Iranian action was "patently unacceptable" and that the Iranian troops must withdraw from Iranian territory immediately. (Note: Hakim meeting will be reported septel. End note.)

#### COMMENT

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13.(C) In the political jockeying leading up to the March elections, this incident could prove to be a litmus test to gauge Iran's political influence as well as the nationalist or ethno-sectarian motivations of Iraqi politicians. In this light, it represents an opportunity for Iraqi politicians, most notably the Sunnis, to burnish nationalist credentials by taking positions critical of Iran, but also presents a conundrum for many Iraqi Shi'a politicians. Prime Minister Maliki won political points for his willingness to conduct military operations against Shi'a militias in 2008, which was seen as a move against Iran ) albeit an indirect one. This incident could put him in more direct opposition to the IRIG. If the dispute persists or escalates, it could force the hands of Maliki and the major Shi'a parties regarding ties to Iran, and have an effect on the elections and post-election political alliances. For now, the political fallout from the issue has not reached such dimensions.  
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